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Current Support Brief

EAST GERMAN FOREIGN TRADE PLAN FOR 1963: AN INTERPRETATION



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EAST GERMAN FOREIGN TRADE PLAN FOR 1963:
AN INTERPRETATION

In a recent publication of this Office, 1/ the view was developed that East Germany is hoping to create a substantial surplus on current foreign account in 1963, even after allowing for the usual unfavorable balance on invisible transactions (such as transport charges and insurance). A widely differing and, it is believed, incorrect interpretation of East German trade in 1962 and of the plan for 1963 has been put forward by the West German Institute for Economic Research (DIW). 2/ According to this interpretation, the East German unfavorable balance was so great in 1962 that in spite of the large planned increase in exports the over-all balance would still be unfavorable in 1963.

1. Plan

The East German plan calls for a large increase in exports, with imports to remain at about the level of 1962. At the same time, the East Germans are to receive a Soviet credit of about US \$130 million, or 560 million valuta DME (East German foreign trade marks, which can be converted at the rate of 1 DME to US \$0.24). On the basis of the trade plan and the announced Soviet credit, the East Germans apparently intend to run a large enough surplus on commodity trade with the rest of the world not only to cover invisibles but also to run an overall surplus on current foreign account. Part of this surplus may be used in servicing East German debts, chiefly to the USSR, but much of it probably is to be used for extending credits to the other European Satellites and to some of the underdeveloped countries. This plan marks a sharp change from recent years, when commodity trade was approximately in balance and Soviet credits were used, in effect, to cover the remaining deficit on invisibles. In 1961 and 1962 the deficits probably ran at about 600 million and 700 million valuta DME, respectively.

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2. Interpretation

The interpretation by this Office of East German foreign trade statistics is based on the fact that there are two separate sets of trade figures, one from the annual statistical yearbooks and the other implied from plan figures as given in the annual and long-term plans. The yearbook and implied plan data for imports are the same, but for exports the yearbook totals are considerably higher than those on which the yearly planning figures are based.* This difference is the result of the exclusion from the implied plan data of East German exports of uranium to the USSR. The East Germans have clearly indicated that exports of uranium are included in the data published in the statistical yearbooks. It also has been established that, beginning in 1958, the base year of the old Seven Year Plan (1959-65), the East Germans have excluded exports of uranium in their planning figures. In 1960 and 1961 the difference in the export figures amounted to about 500 million valuta DME, which is roughly equal to independent estimates of the value of East German exports of uranium. The difference for 1962, which is somewhat greater, cannot as yet be checked against an independent estimate of exports of uranium.

Once it is clear that there are two distinct series of trade figures, it is possible to work out a consistent interpretation of the balance on commodity trade in 1962 and the plan for 1963. Excluding exports of uranium, the plan implies a shift from an import surplus of about 800 million valuta DME in 1962 to an export surplus of about 900 million valuta DME in 1963 (see the table). An even larger export surplus in

* The West German DIW has tried to show that the difference between the statistical yearbook and plan data results from a difference in the valuation of imports -- that is, that in the plan figures imports are valued c.i.f. at the border of East Germany rather than f.o.b. at the border of the country of origin as in the yearbooks. ⁵/ There is no basis for this interpretation -- the value of imports in both sets of data is the same. The DIW has a difference of this sort to explain as a result of having used an incorrect rate of exchange. The rate used was 1 ruble to US \$0.90, whereas the correct rate is 1 ruble to US \$1.11.

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1963 and an approximate balance in commodity account in 1962 are implied if exports of uranium are included.

The confusion caused by the two sets of trade statistics has been compounded by an East German announcement that the trade deficit in 1962 was 1 billion DME. 3/ The East Germans specifically state, however, that the announced deficit was calculated in domestic prices -- evidence that was ignored by the West German DIW in assuming that the figure represented foreign trade marks, or valuta DME. The estimated trade deficit for 1962, based on planning figures, amounts to about 800 million valuta DME (see the table). In view of the difference between the structure of domestic and foreign trade prices, the two figures do not seem inconsistent.

Even with the inclusion of exports of uranium, East Germany's over-all balance on current account in 1962 was unfavorable because of the unfavorable balance on invisibles (chiefly transport charges), which runs at about 8 percent of the value of imports each year. To the invisibles probably should be added East German imports of military end items from the USSR, which apparently are not included in East German statistics. Estimates of the value of arms imports have been made by the West Germans, based on an analysis of the discrepancy between Soviet and East German trade statistics for Soviet exports to East Germany. On the other hand, these expenditures have been more than offset in recent years by payments for goods and services provided to the Soviet forces in East Germany. Therefore, the unfavorable balance on current account is due to the deficit on invisibles, and in 1962 it probably was about the size of the Soviet credit for that year, or about 700 million valuta DME. 4/

Shown below is a comparison for 1960 and 1961 of data from statistical yearbooks, which include exports of uranium, and data calculated from plan announcements, which exclude exports of uranium. For 1962 the projection of the yearbook series is based on the plan fulfillment report for the year.

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Table

East German Commodity Trade

				Billion Valuta DME
	Series from Statistical Yearbook	Series Based on Plan Data	Difference	Estimated Exports of Uranium <u>a/</u>
<u>1960</u>				
Imports	9.1 <u>b/</u>	9.1 <u>c/</u>		
Exports	9.2 <u>b/</u>	8.6 <u>c/</u>	0.6	0.5 to 0.6
Total	<u>18.3</u> <u>b/</u>	<u>17.7</u>		
<u>1961</u>				
Imports	9.3 <u>b/</u>	9.3 <u>d/</u>		
Exports	9.5 <u>b/</u>	9.0 <u>e/</u>	0.5	0.5 to 0.6
Total	<u>18.8</u> <u>b/</u>	<u>18.3</u> <u>f/</u>		
<u>1962</u>				
Imports	10.0 <u>g/</u>	10.0 <u>g/</u>		
Exports	9.9 <u>h/</u>	9.2 <u>i/</u>	0.7	
Total	<u>19.9</u> <u>j/</u>	<u>19.2</u> <u>k/</u>		
<u>1963 Plan</u>				
Imports		9.8 <u>l/</u>		
Exports		10.7 <u>m/</u>		
Total		<u>20.5</u> <u>n/</u>		

a. Calculated from annual Soviet foreign trade yearbooks.

b. Converted from data in the East German statistical yearbook for 1962 in rubles, at a rate of 4.67 valuta DME to 1 ruble.

c. Calculated from the planned value of imports and exports for 1961 and the corresponding percentage increases in comparison with 1960.

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Table

East German Commodity Trade
(Continued)

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- d. Assumed to be identical with the value from the statistical year-book, as in 1960.
 - e. Residual.
 - f. Calculated from the planned value of turnover for 1962 and the corresponding percentage increase in comparison with 1961.
 - g. Based on the announced increase of 7 percent in comparison with 1961.
 - h. Residual (i) including the exports of uranium.
 - i. Obtained as a residual.
 - j. Given in the plan fulfillment report for 1962.
 - k. Calculated from the planned value of turnover for 1963 and the corresponding percentage increase in comparison with 1962.
 - l. Obtained as a residual, but not unreasonable in view of the plan to keep imports "at about the same level as in 1962."
 - m. Based on plan information that exports are to increase by 15.4 percent, in comparison with the level for 1962.
 - n. Given in the plan for 1963.

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Analyst:

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Coord:

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